

CITY OF ALTA

INDEPENDENT AUDITOR'S REPORTS
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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CITY OF ALTA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Ron Neulieb	Mayor	January, 2014
Pam Henderson	Council Member	January, 2014
Brian Walsh	Council Member	January, 2014
Ron Chapman	Council Member	January, 2016
Molly Elston	Council Member	January, 2016
Rob Hach	Council Member	January, 2016
Thomas M. Huseman	Clerk/ Finance Officer	Indefinite
John Murray	Attorney	Indefinite
(After January 2014)		
Ron Neulieb	Mayor	January, 2016
Ron Chapman	Council Member	January, 2016
Molly Elston	Council Member	January, 2016
Rob Hach	Council Member	January, 2016
Pam Henderson	Council Member	January, 2018
Lee Meyer	Council Member	January, 2018
Thomas M. Huseman	Clerk/ Finance Officer	Retired February, 2014
Megan Peterson	Clerk/ Finance Officer	Indefinite
John Murray	Attorney	Indefinite

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Alta, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for one of the City's discretely presented component units because the Alta Municipal Utilities reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Alta as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Alta, Iowa as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Alta, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the period ending June 30, 2012 (which are not presented herein), and expressed qualified opinions on those financial statements since we were unable to verify the distribution of total fund balance as of July 1, 2011 and which were prepared on the basis of cash receipts and disbursements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the period ending June 30, 2013 (which are not presented herein), and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information.

The other information, budgetary comparison information on pages 20 and 21 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2015 on our consideration of City of Alta, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Alta, Iowa's internal control over financial reporting and compliance.

Hummelman, Putzier & Co., PLLC

March 5, 2015

CITY OF ALTA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	Component Unit
Governmental activities:								
Public safety	\$ 276,739	\$ 4,806	\$ 34,649	\$ -	\$ (237,284)	\$ -	\$ (237,284)	\$ -
Public works	286,846	43,303	188,025	-	(55,518)	-	(55,518)	-
Culture and recreation	224,889	53,567	32,537	-	(138,785)	-	(138,785)	-
Community and economic development	40,708	-	-	-	(40,708)	-	(40,708)	-
General government	178,196	-	-	-	(178,196)	-	(178,196)	-
Debt service	41,843	-	-	-	(41,843)	-	(41,843)	-
Capital projects	86,876	-	-	63,006	(23,870)	-	(23,870)	-
Total governmental activities	<u>1,136,097</u>	<u>101,676</u>	<u>255,211</u>	<u>63,006</u>	<u>(716,204)</u>	<u>-</u>	<u>(716,204)</u>	<u>-</u>
Business type activities:								
Sewer	322,176	275,792	-	-	-	(46,384)	(46,384)	-
Solid Waste	171,242	178,171	-	-	-	6,929	6,929	-
Total business type activities	<u>493,418</u>	<u>453,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,455)</u>	<u>(39,455)</u>	<u>-</u>
Total	<u>\$ 1,629,515</u>	<u>\$ 555,639</u>	<u>\$ 255,211</u>	<u>\$ 63,006</u>	<u>(716,204)</u>	<u>(39,455)</u>	<u>(755,659)</u>	<u>-</u>
Component Unit:								
Alta Firemen's Association	<u>\$ 38,184</u>	<u>\$ -</u>	<u>\$ 135,602</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,418</u>
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					371,473	-	371,473	-
Debt service					43,356	-	43,356	-
Tax increment financing					9,729	-	9,729	-
Local option sales tax					183,260	-	183,260	-
Unrestricted interest on investments					684	-	684	-
Sale of assets					48,459	-	48,459	-
Special assessments					36,454	-	36,454	-
Miscellaneous					42,562	-	42,562	-
Transfers					(54,340)	54,340	-	-
Total general receipts and transfers					<u>681,637</u>	<u>54,340</u>	<u>735,977</u>	<u>-</u>
Change in cash basis net position					(34,567)	14,885	(19,682)	97,418
Cash basis net position beginning of year					<u>235,736</u>	<u>517,811</u>	<u>753,547</u>	<u>32,666</u>
Cash basis net position end of year					<u>\$ 201,169</u>	<u>\$ 532,696</u>	<u>\$ 733,865</u>	<u>\$ 130,084</u>

(continued)

CITY OF ALTA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A
(continued)

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	Component Unit
Cash Basis Net Position								
Restricted:								
Nonexpendable:								
Library					\$ 5,030	\$ -	\$ 5,030	\$ -
Expendable:								
Tax increment financing projects					50,488	-	50,488	-
Debt service					82,156	-	82,156	-
Other purposes					4,276	-	4,276	-
Unrestricted					59,219	532,696	591,915	130,084
Total cash basis net position					<u>\$ 201,169</u>	<u>\$ 532,696</u>	<u>\$ 733,865</u>	<u>\$ 130,084</u>

See notes to financial statements.

CITY OF ALTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

	Special Revenue						
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Non-major	Total
Receipts:							
Property tax	\$ 371,473	\$ -	\$ -	\$ -	\$ 43,356	\$ -	\$ 414,829
Tax increment financing	-	-	-	9,729	-	-	9,729
Other city tax	-	-	183,260	-	-	-	183,260
Licenses and permits	10,217	-	-	-	-	-	10,217
Use of money and property	21,735	-	-	-	-	-	21,735
Intergovernmental	8,100	188,025	-	-	-	63,006	259,131
Charges for service	125,526	-	-	-	-	-	125,526
Special assessments	36,454	-	-	-	-	-	36,454
Miscellaneous	46,530	-	-	-	-	-	46,530
Total receipts	620,035	188,025	183,260	9,729	43,356	63,006	1,107,411
Disbursements:							
Operating:							
Public safety	276,739	-	-	-	-	-	276,739
Public works	501	286,345	-	-	-	-	286,846
Culture and recreation	224,889	-	-	-	-	-	224,889
Community and economic development	-	40,708	-	-	-	-	40,708
General government	178,196	-	-	-	-	-	178,196
Debt service	-	-	-	-	41,843	-	41,843
Capital Projects	-	-	-	-	-	86,876	86,876
Total disbursements	680,325	327,053	-	-	41,843	86,876	1,136,097
Excess (deficiency) of receipts over disbursements	(60,290)	(139,028)	183,260	9,729	1,513	(23,870)	(28,686)
Other financing sources (uses):							
Proceeds from sale of assets	48,459	-	-	-	-	-	48,459
Operating transfers in	92,236	-	-	-	-	91,630	183,866
Operating transfers out	(54,340)	-	(183,260)	-	-	(606)	(238,206)
Total other financing sources (uses)	86,355	-	(183,260)	-	-	91,024	(5,881)
Net change in cash balances	26,065	(139,028)	-	9,729	1,513	67,154	(34,567)
Cash balances beginning of year	514,447	(259,730)	-	40,759	80,643	(140,383)	235,736
Cash balances end of year	\$ 540,512	\$ (398,758)	\$ -	\$ 50,488	\$ 82,156	\$ (73,229)	\$ 201,169

CITY OF ALTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B
(continued)

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Non-major	
Cash Basis Fund Balances							
Nonspendable - Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,030	\$ 5,030
Restricted for:							
Debt service	-	-	-	-	82,156	-	82,156
Tax increment financing projects	-	-	-	50,488	-	-	50,488
Other purposes	-	-	-	-	-	4,276	4,276
Unassigned	540,512	(398,758)	-	-	-	(82,535)	59,219
Total cash basis fund balances	<u>\$ 540,512</u>	<u>\$ (398,758)</u>	<u>\$ -</u>	<u>\$ 50,488</u>	<u>\$ 82,156</u>	<u>\$ (73,229)</u>	<u>\$ 201,169</u>

See notes to financial statements.

CITY OF ALTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	<u>Enterprise</u>			
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Community Building</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 275,792	\$ 178,171	\$ -	\$ 453,963
Operating disbursements:				
Business type activities	<u>169,944</u>	<u>171,242</u>	<u>-</u>	<u>341,186</u>
Excess of operating receipts over operating disbursements	105,848	6,929	-	112,777
Non-operating disbursements:				
Debt service	<u>(152,232)</u>	<u>-</u>	<u>-</u>	<u>(152,232)</u>
Excess (deficiency) of receipts over disbursements	(46,384)	6,929	-	(39,455)
Other financing sources				
Transfers in	<u>-</u>	<u>-</u>	<u>54,340</u>	<u>54,340</u>
Net change in cash balances	(46,384)	6,929	54,340	14,885
Cash balances beginning of year	<u>426,378</u>	<u>145,773</u>	<u>(54,340)</u>	<u>517,811</u>
Cash balances end of year	<u>\$ 379,994</u>	<u>\$ 152,702</u>	<u>\$ -</u>	<u>\$ 532,696</u>
Cash Basis Fund Balances				
Unrestricted	<u>\$ 379,994</u>	<u>\$ 152,702</u>	<u>\$ -</u>	<u>\$ 532,696</u>

See notes to financial statements.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Alta is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Alta has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Alta (the primary government) and its component units. The financial statements do not include financial data for the Alta Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Alta Firemen's Association was established as a legally separate, tax-exempt, organization to support the Alta Fire Department. The association acts primarily as a fund-raising organization to supplement the resources that are available to the City in support of the fire department. Throughout the year, the association contributes funding to be used for various projects in support of the fire department. The association's resources are entirely for the benefit of the fire department and it is considered a component unit of the City and is discretely presented in the City's financial statements.

Excluded Component Unit

The Alta Municipal Utilities was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a five member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utilities were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Utility administrative office.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Joint Disaster Services Commission, Buena Vista County E911 Service Board, and Buena Vista County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as a general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation – (Continued)

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for capital improvements and property tax relief.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's long-term debt.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection activities.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

2. CASH

The City's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND LOANS PAYABLE

Annual debt service requirements to maturity for general obligation bonds and the sewer revenue notes are as follows:

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. BONDS AND LOANS PAYABLE – (Continued)

Year Ending June 30,	<u>General Obligation</u>		<u>Sewer Revenue</u>		<u>Total</u>	
	<u>Bonds</u>					
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 35,000	\$ 4,890	\$ 68,899	\$ 83,333	\$ 103,899	\$ 88,223
2016	40,000	3,420	70,152	82,080	110,152	85,500
2017	40,000	1,720	71,882	80,350	111,882	82,070
2018	-	-	73,426	78,808	73,426	78,808
2019	-	-	75,000	77,232	75,000	77,232
2020-2024	-	-	399,431	361,729	399,431	361,729
2025-2029	-	-	444,407	316,753	444,407	316,753
2030-2034	-	-	494,199	266,961	494,199	266,961
2035-2039	-	-	549,568	211,592	549,568	211,592
2040-2044	-	-	611,077	150,083	611,077	150,083
2045-2049	-	-	679,328	81,507	679,328	81,507
2050-2053	-	-	415,535	15,551	415,535	15,551
	<u>\$ 115,000</u>	<u>\$ 10,030</u>	<u>\$ 3,952,904</u>	<u>\$ 1,805,979</u>	<u>\$ 4,067,904</u>	<u>\$ 1,816,009</u>

Sewer Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,092,000 of sewer revenue notes issued in December 2012. Proceeds from the notes provided financing for the construction of the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2053. The total principal and interest remaining to be paid on the notes is \$5,758,883. For the current year, principal and interest paid and total customer net receipts were \$152,232 and \$105,848, respectively.

The resolutions providing for the issuance of revenue notes include the following provisions:

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.
- C. Additional monthly transfers of \$1,269 shall be made to a sewer reserve account within the Enterprise Fund until a specific minimum balance has been accumulated in the account. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

The City has not established the required sinking and reserve accounts as required by the sewer revenue note resolution.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. PENSION AND RETIREMENT BENEFITS – (Continued)

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$26,512, \$22,983, and \$19,193 respectively, equal to the required contribution for the year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	\$ <u>7,265</u>
----------	-----------------

This liability has been computed based on rates of pay in effect at June 30, 2014.

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 4 active members and one retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$580 for single coverage, \$1,187 for employee plus dependent, and \$1,114 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$59,902 to the plan.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 91,630
	Forfeiture	606
		<u>92,236</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>91,630</u>
Enterprise:		
Community Building	General	<u>54,340</u>
Total		<u>\$ 238,206</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9. DEFICIT BALANCE

The Road Use Tax and Capital Projects funds have deficit balances of \$398,758 and \$82,535, respectively as of June 30, 2014. These deficits were a result of costs incurred prior to availability of funds. These deficits will be eliminated by loan proceeds, transfers from other funds, and the sale of residential lots.

10. LANDFILL AGREEMENT

The City participates in an agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the county and municipalities. Payments to that commission totaled \$106,838 during the year ended June 30, 2014.

11. PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

OTHER INFORMATION

CITY OF ALTA
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 414,829	\$ -	\$ 414,829	\$ 410,074	\$ 410,074	\$ 4,755
Tax increment financing collections	9,729	-	9,729	9,000	9,800	(71)
Other city tax	183,260	-	183,260	187,284	187,284	(4,024)
Licenses and permits	10,217	-	10,217	10,314	10,322	(105)
Use of money and property	21,735	-	21,735	18,275	18,775	2,960
Intergovernmental	259,131	-	259,131	204,802	269,602	(10,471)
Charges for service	125,526	453,963	579,489	505,290	567,290	12,199
Special assessments	36,454	-	36,454	-	-	36,454
Miscellaneous	46,530	-	46,530	94,955	157,998	(111,468)
Total receipts	<u>1,107,411</u>	<u>453,963</u>	<u>1,561,374</u>	<u>1,439,994</u>	<u>1,631,145</u>	<u>(69,771)</u>
Disbursements:						
Public safety	276,739	-	276,739	244,558	307,240	30,501
Public works	286,846	-	286,846	225,103	330,088	43,242
Culture and recreation	224,889	-	224,889	225,409	256,289	31,400
Community and economic development	40,708	-	40,708	43,904	45,363	4,655
General government	178,196	-	178,196	151,002	185,250	7,054
Debt service	41,843	-	41,843	42,962	41,843	-
Capital Projects	86,876	-	86,876	70,000	130,000	43,124
Business type activities	-	493,418	493,418	463,458	547,768	54,350
Total disbursements	<u>1,136,097</u>	<u>493,418</u>	<u>1,629,515</u>	<u>1,466,396</u>	<u>1,843,841</u>	<u>214,326</u>
Excess (deficiency) of receipts over disbursements	(28,686)	(39,455)	(68,141)	(26,402)	(212,696)	144,555
Other financing sources, net	<u>(5,881)</u>	<u>54,340</u>	<u>48,459</u>	<u>-</u>	<u>-</u>	<u>48,459</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,567)	14,885	(19,682)	(26,402)	(212,696)	193,014
Balances, beginning of year	<u>235,736</u>	<u>517,811</u>	<u>753,547</u>	<u>802,767</u>	<u>753,547</u>	<u>-</u>
Balances, end of year	<u>\$ 201,169</u>	<u>\$ 532,696</u>	<u>\$ 733,865</u>	<u>\$ 776,365</u>	<u>\$ 540,851</u>	<u>\$ 193,014</u>

See accompanying independent auditor's report.

CITY OF ALTA
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2014 the budget was amended one time which increased budgeted disbursements by \$377,445. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF ALTA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Schedule 1

	<u>Special Revenue</u>			<u>Permanent</u>	
	<u>Forfeiture</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Library</u>	<u>Total</u>
Receipts:					
Intergovernmental	\$ -	\$ -	\$ 63,006	\$ -	\$ 63,006
Disbursements:					
Operating:					
Capital Projects	-	-	86,876	-	86,876
Deficiency of receipts over disbursements	-	-	(23,870)	-	(23,870)
Other financing sources (uses):					
Transfers in	-	-	91,630	-	91,630
Transfers out	(606)	-	-	-	(606)
Total other financing sources (uses)	(606)	-	91,630	-	91,024
Net change in cash balances	(606)	-	67,760	-	67,154
Cash balances beginning of year	606	4,276	(150,295)	5,030	(140,383)
Cash balances end of year	<u>\$ -</u>	<u>\$ 4,276</u>	<u>\$ (82,535)</u>	<u>\$ 5,030</u>	<u>\$ (73,229)</u>
Cash Basis Fund Balances					
Nonspendable - Library	\$ -	\$ -	\$ -	\$ 5,030	\$ 5,030
Restricted for:					
Other purposes	-	4,276	-	-	4,276
Unassigned	-	-	(82,535)	-	(82,535)
Total cash basis fund balances	<u>\$ -</u>	<u>\$ 4,276</u>	<u>\$ (82,535)</u>	<u>\$ 5,030</u>	<u>\$ (73,229)</u>

See accompanying independent auditor's report.

CITY OF ALTA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2014

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds and capital loan notes: G.O. Bonds	March 15, 2007	4.15-4.30%	<u>\$ 340,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 115,000</u>	<u>\$ 6,343</u>
Revenue notes: Sewer	December 20, 2012	2.125%	<u>\$ 3,412,000</u>	<u>\$ 3,384,564</u>	<u>\$ -</u>	<u>\$ 55,551</u>	<u>\$ 3,329,013</u>	<u>\$ 71,385</u>
Sewer	December 20, 2012	2.125%	<u>680,000</u>	<u>635,791</u>	<u>-</u>	<u>11,900</u>	<u>623,891</u>	<u>13,396</u>
			<u>\$ 4,092,000</u>	<u>\$ 4,020,355</u>	<u>\$ -</u>	<u>\$ 67,451</u>	<u>\$ 3,952,904</u>	<u>\$ 84,781</u>

See accompanying independent auditor's report.

CITY OF ALTA
DEBT MATURITIES
JUNE 30, 2014

Schedule 3

Year Ending June 30	General Obligation Notes		Revenue Notes			
			Sewer		Sewer	
	Issued March 15, 2007		Issued December 20, 2012		Issued December 20, 2012	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	4.20%	\$ 35,000	2.125%	\$ 56,743	2.125%	\$ 12,156
2016	4.25	40,000	2.125	57,771	2.125	12,381
2017	4.30	40,000	2.125	59,200	2.125	12,682
2018		-	2.125	60,471	2.125	12,955
2019		-	2.125	61,768	2.125	13,232
2020		-	2.125	62,918	2.125	13,484
2021		-	2.125	64,444	2.125	13,806
2022		-	2.125	65,826	2.125	14,102
2023		-	2.125	67,239	2.125	14,405
2024		-	2.125	68,522	2.125	14,685
2025		-	2.125	70,152	2.125	15,029
2026		-	2.125	71,657	2.125	15,351
2027		-	2.125	73,195	2.125	15,681
2028		-	2.125	74,623	2.125	15,992
2029		-	2.125	76,367	2.125	16,360
2030		-	2.125	78,006	2.125	16,711
2031		-	2.125	79,680	2.125	17,070
2032		-	2.125	81,265	2.125	17,415
2033		-	2.125	83,133	2.125	17,810
2034		-	2.125	84,917	2.125	18,192
2035		-	2.125	86,739	2.125	18,583
2036		-	2.125	88,496	2.125	18,964
2037		-	2.125	90,499	2.125	19,388
2038		-	2.125	92,441	2.125	19,804
2039		-	2.125	94,425	2.125	20,229
2040		-	2.125	96,368	2.125	20,651
2041		-	2.125	98,519	2.125	21,106
2042		-	2.125	100,633	2.125	21,559
2043		-	2.125	102,793	2.125	22,022
2044		-	2.125	104,939	2.125	22,487
2045		-	2.125	107,250	2.125	22,977
2046		-	2.125	109,551	2.125	23,470
2047		-	2.125	111,902	2.125	23,974
2048		-	2.125	114,270	2.125	24,486
2049		-	2.125	116,756	2.125	24,692
2050		-	2.125	119,261	2.125	-
2051		-	2.125	121,820	2.125	-
2052		-	2.125	124,429	2.125	-
2053		-	2.125	50,025	2.125	-
		<u>\$ 115,000</u>		<u>\$ 3,329,013</u>		<u>\$ 623,891</u>

See accompanying independent auditor's report.

CITY OF ALTA
SCHEDULE OF RECEIPTS BY SOURCE
AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST THREE YEARS

Schedule 4

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:			
Property tax	\$ 414,829	\$ 391,127	\$ 364,882
Tax increment financing	9,729	6,940	6,598
Other city tax	183,260	195,578	203,937
Licenses and permits	10,217	9,775	10,677
Use of money and property	21,735	1,960	2,489
Intergovernmental	259,131	191,165	675,271
Charges for service	125,526	55,394	38,330
Special assessments	36,454	-	-
Miscellaneous	46,530	59,891	111,061
Total	<u>\$ 1,107,411</u>	<u>\$ 911,830</u>	<u>\$ 1,413,245</u>
Disbursements:			
Operating:			
Public safety	\$ 276,739	\$ 252,317	\$ 228,346
Public works	286,846	268,677	185,754
Culture and recreation	224,889	132,531	146,179
Community and economic development	40,708	53,318	29,969
General government	178,196	155,865	143,441
Debt service	41,843	203,441	44,695
Capital projects	86,876	549,498	3,530,974
Total	<u>\$ 1,136,097</u>	<u>\$ 1,615,647</u>	<u>\$ 4,309,358</u>

See accompanying independent auditor's report.

CITY OF ALTA
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
AGENCY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Schedule 5

	Summer Baseball Program	Benefits Account	Trees Forever	Horizons	Total
Receipts	\$ 60,446	\$ 6,221	\$ 1,002	\$ 2,488	\$ 70,157
Disbursements	<u>53,705</u>	<u>7,110</u>	<u>-</u>	<u>1,907</u>	<u>62,722</u>
Net change in cash balances	6,741	(889)	1,002	581	7,435
Cash balances beginning of year	<u>35,209</u>	<u>2,840</u>	<u>1,830</u>	<u>1,097</u>	<u>40,976</u>
Cash balances end of year	<u>\$ 41,950</u>	<u>\$ 1,951</u>	<u>\$ 2,832</u>	<u>\$ 1,678</u>	<u>\$ 48,411</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Alta, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Alta, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2015. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Alta Municipal Utilities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Alta's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Alta's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Alta's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Alta's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in part I of the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Alta. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Alta's Responses to the Findings

City of Alta's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Alta's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Alta's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alta's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunnegelman, Putzies & Co., PLLC

March 5, 2015

CITY OF ALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by one individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City of Alta will review its control procedures to obtain the maximum internal control possible under the circumstances posed by being a town of population only 1883.

Conclusion – Response accepted.

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with the cash basis of accounting requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response – The City of Alta will look into further training and professional education courses for the City Clerk to take regarding accounting. The City Clerk is currently enrolled in the Municipal Professional Academy's City Clerk certification as well as the Iowa Employment Conference. The City Clerk will try to find some accounting specific courses to take.

Conclusion – Response accepted.

- (C) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Also, we noted that invoices were not marked paid to help prevent duplicate payment.

Recommendation – All disbursements should be supported by invoices or other supporting documentation and all invoices should be properly canceled to prevent reuse.

Response – The City of Alta will require supporting documentation for all disbursements, as well as stamping "paid" to prevent reuse.

Conclusion – Response accepted.

CITY OF ALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements: - (Continued)

INTERNAL CONTROL DEFICIENCIES: - (Continued)

- (D) Monthly Bank Reconciliations – Although bank reconciliations were prepared monthly, the bank balances were not reconciled to the balances on the City records. In addition, the reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The City Clerk has established a procedure to ensure bank balances reconcile to the City records. These reconciliation forms will be reviewed and signed by a member of the Council after review of each month's successful reconciliation.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and general government functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – If it is deemed that the City's budget needs to be amended, the City of Alta will go through the amendment process before the disbursements exceed the City budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Transaction Amount</u>
Ron Neulieb, Mayor, Owner of Control System Specialists	Maintenance	\$3,737
Brad Pederson, Employee, Rent, fertilizer, field work for industrial ground		\$6,606

In accordance with chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The Code does allow the City to transact business with City officers or employees in excess of \$2,500 but only if the contract is made subject to a competitive bid in writing, publicly invited, and opened. The City should consult their attorney to determine that they are in compliance with the Code of Iowa.

CITY OF ALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Statutory Reporting: - (Continued)

(4) Business Transactions — (Continued)

Response – If the City of Alta needs to do business with a City officer or employee in excess of \$2,500, the contract made will be subject to a competitive bid, and following proper procedures.

Conclusion – Response accepted.

(5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

(6) Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

(7) Revenue Notes - The City has not established the sinking and reserve accounts as required by the sewer revenue note resolution.

Recommendation - The City should establish these accounts, make the monthly required transfers. All sewer revenue note payments should then be made from the sinking fund.

Response – The City of Alta has now established the required sinking and reserve accounts and does the monthly transfers.

Conclusion – Response accepted.

(8) City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

(9) Urban Renewal Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, 2013. However the beginning and ending cash balances on the Levy Authority Summary do not agree with City records.

Recommendation - The City should ensure the balances reported on the Levy Authority Summary agree with the City's records.

Response – The City of Alta will make sure the balances reported on the Levy Authority Summary agree with the City's records.

Conclusion – Response accepted.

(10) Financial Condition - At June 30, 2014, the City had deficit balances in the Road Use Tax, and Capital Projects funds of \$398,758, and \$82,535, respectively

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response – The City of Alta will work to eliminate our deficit balances.

Conclusion – Response accepted.

CITY OF ALTA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Statutory Reporting: - (Continued)

- (11) Payroll – Annual salary increases for City employees were approved based upon a percentage and the actual approved wages rates were not documented in the City Council minutes.

Recommendation – Salaries and rates of pay for employees should be adequately documented in the City Council minutes.

Response – The City of Alta will adequately document the salaries and rates of pay for all employees in the City Council minutes.

Conclusion – Response accepted.